

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-35416



**U.S. Silica Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
Incorporation or Organization)

**26-3718801**  
(I.R.S. Employer  
Identification No.)

**24275 Katy Freeway, Suite 600**  
**Katy, Texas 77494**  
(Address of Principal Executive Offices) (Zip Code)  
**(281) 258-2170**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	SLCA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of October 21, 2022, 75,708,882 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

U.S. SILICA HOLDINGS, INC.  
FORM 10-Q  
For the Quarter Ended September 30, 2022

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**PART I-FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**U.S. SILICA HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited; dollars in thousands except share information)**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 267,133	\$ 239,425
Accounts receivable, net	236,231	202,759
Inventories, net	143,198	115,713
Prepaid expenses and other current assets	24,658	18,018
Total current assets	<u>671,220</u>	<u>575,915</u>
Property, plant and mine development, net	1,190,957	1,258,646
Lease right-of-use assets	47,425	42,241
Goodwill	185,649	185,649
Intangible assets, net	143,105	150,054
Other assets	9,239	7,095
Total assets	<u>\$ 2,247,595</u>	<u>\$ 2,219,600</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 222,665	\$ 167,670
Current portion of operating lease liabilities	19,255	14,469
Current portion of long-term debt	22,770	18,285
Current portion of deferred revenue	14,095	4,247
Income tax payable	1,660	1,200
Total current liabilities	<u>280,445</u>	<u>205,871</u>
Long-term debt, net	1,089,713	1,193,135
Deferred revenue	17,124	16,494
Liability for pension and other post-retirement benefits	34,789	32,935
Deferred income taxes, net	53,135	44,774
Operating lease liabilities	69,269	75,130
Other long-term liabilities	34,622	37,178
Total liabilities	<u>1,579,097</u>	<u>1,605,517</u>
<b>Commitments and Contingencies (Note M)</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; zero issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 85,465,344 issued and 75,616,067 outstanding at September 30, 2022; 84,746,194 issued and 75,033,352 outstanding at December 31, 2021	853	845
Additional paid-in capital	1,230,293	1,218,575
Retained deficit	(382,674)	(429,260)
Treasury stock, at cost, 9,849,277 and 9,712,842 shares at September 30, 2022 and December 31, 2021, respectively	(185,657)	(186,294)
Accumulated other comprehensive (loss) income	(2,816)	349
Total U.S. Silica Holdings, Inc. stockholders' equity	<u>659,999</u>	<u>604,215</u>
Non-controlling interest	8,499	9,868
Total stockholders' equity	<u>668,498</u>	<u>614,083</u>
Total liabilities and stockholders' equity	<u>\$ 2,247,595</u>	<u>\$ 2,219,600</u>

*The accompanying notes are an integral part of these financial statements.*

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited; dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Sales:</b>				
Product	\$ 309,831	\$ 216,134	\$ 833,390	\$ 675,611
Service	108,982	51,164	278,823	143,404
Total sales	418,813	267,298	1,112,213	819,015
<b>Cost of sales (excluding depreciation, depletion and amortization):</b>				
Product	217,424	168,212	590,776	464,971
Service	74,096	39,236	196,509	112,421
Total cost of sales (excluding depreciation, depletion and amortization)	291,520	207,448	787,285	577,392
<b>Operating expenses:</b>				
Selling, general and administrative	33,933	30,956	108,860	84,689
Depreciation, depletion and amortization	34,500	39,981	106,964	122,494
Goodwill and other asset impairments	—	11	—	49
Total operating expenses	68,433	70,948	215,824	207,232
Operating income (loss)	58,860	(11,098)	109,104	34,391
<b>Other (expense) income:</b>				
Interest expense	(20,174)	(17,796)	(54,777)	(53,425)
Other income, net, including interest income	3,576	2,580	7,206	4,999
Total other expense	(16,598)	(15,216)	(47,571)	(48,426)
Income (loss) before income taxes	42,262	(26,314)	61,533	(14,035)
Income tax (expense) benefit	(10,259)	6,140	(15,209)	(1,172)
Net income (loss)	\$ 32,003	\$ (20,174)	\$ 46,324	\$ (15,207)
Less: Net loss attributable to non-controlling interest	(68)	(179)	(262)	(462)
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 32,071	\$ (19,995)	\$ 46,586	\$ (14,745)
<b>Earnings (loss) per share attributable to U.S. Silica Holdings, Inc.:</b>				
Basic	\$ 0.42	\$ (0.27)	\$ 0.62	\$ (0.20)
Diluted	\$ 0.41	\$ (0.27)	\$ 0.60	\$ (0.20)
<b>Weighted average shares outstanding:</b>				
Basic	75,587	74,523	75,446	74,267
Diluted	77,770	74,523	77,580	74,267
Dividends declared per share	\$ —	\$ —	\$ —	\$ —

*The accompanying notes are an integral part of these financial statements.*

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited; dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 32,003	\$ (20,174)	\$ 46,324	\$ (15,207)
Other comprehensive income:				
Foreign currency translation adjustment (net of tax of \$(89) and \$(260) for the three months ended September 30, 2022 and 2021, respectively, and \$(437) and \$(224) for the nine months ended September 30, 2022 and 2021, respectively).	(272)	(251)	(1,364)	(707)
Pension and other post-retirement benefits liability adjustment (net of tax of \$(721) and \$1,491 for the three months ended September 30, 2022 and 2021, respectively, and \$(574) and \$2,110 for the nine months ended September 30, 2022 and 2021, respectively).	(2,263)	(5,472)	(1,801)	6,624
Comprehensive income (loss)	\$ 29,468	\$ (25,897)	\$ 43,159	\$ (9,290)
Less: Comprehensive loss attributable to non-controlling interest	(68)	(179)	(262)	(462)
Comprehensive income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 29,536	\$ (25,718)	\$ 43,421	\$ (8,828)

*The accompanying notes are an integral part of these financial statements.*

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited; dollars in thousands, except per share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity
Balance at June 30, 2022	\$ 852	\$ (186,826)	\$ 1,226,484	\$ (414,745)	\$ (281)	\$ 625,484	\$ 8,950	\$ 634,434
Net income (loss)	—	—	—	32,071	—	32,071	(68)	32,003
Foreign currency translation adjustment	—	—	—	—	(272)	(272)	—	(272)
Pension and post-retirement liability	—	—	—	—	(2,263)	(2,263)	—	(2,263)
Distributions to non-controlling interest	—	—	—	—	—	—	(383)	(383)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	4,743	—	—	4,743	—	4,743
Proceeds from options exercised	—	1,356	(933)	—	—	423	—	423
Tax payments related to shares withheld for vested restricted stock and stock units	1	(187)	(1)	—	—	(187)	—	(187)
Balance at September 30, 2022	\$ 853	\$ (185,657)	\$ 1,230,293	\$ (382,674)	\$ (2,816)	\$ 659,999	\$ 8,499	\$ 668,498
Balance at June 30, 2021	\$ 837	\$ (183,420)	\$ 1,207,670	\$ (390,238)	\$ 3,161	\$ 638,010	\$ 10,729	\$ 648,739
Net loss	—	—	—	(19,995)	—	(19,995)	(179)	(20,174)
Foreign currency translation adjustment	—	—	—	—	(251)	(251)	—	(251)
Pension and post-retirement liability	—	—	—	—	(5,472)	(5,472)	—	(5,472)
Distributions to non-controlling interest	—	—	—	—	—	—	(266)	(266)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	5,495	—	—	5,495	—	5,495
Tax payments related to shares withheld for vested restricted stock and stock units	—	(63)	—	—	—	(63)	—	(63)
Balance at September 30, 2021	\$ 837	\$ (183,483)	\$ 1,213,165	\$ (410,233)	\$ (2,562)	\$ 617,724	\$ 10,284	\$ 628,008

*The accompanying notes are an integral part of these financial statements.*

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity
Balance at December 31, 2021	\$ 845	\$ (186,294)	\$ 1,218,575	\$ (429,260)	\$ 349	\$ 604,215	\$ 9,868	\$ 614,083
Net income (loss)	—	—	—	46,586	—	46,586	(262)	46,324
Foreign currency translation adjustment	—	—	—	—	(1,364)	(1,364)	—	(1,364)
Pension and post-retirement liability	—	—	—	—	(1,801)	(1,801)	—	(1,801)
Distributions to non-controlling interest	—	—	—	—	—	—	(1,107)	(1,107)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	13,821	—	—	13,821	—	13,821
Proceeds from options exercised	—	3,051	(2,095)	—	—	956	—	956
Tax payments related to shares withheld for vested restricted stock and stock units	8	(2,414)	(8)	—	—	(2,414)	—	(2,414)
Balance at September 30, 2022	\$ 853	\$ (185,657)	\$ 1,230,293	\$ (382,674)	\$ (2,816)	\$ 659,999	\$ 8,499	\$ 668,498
Balance at December 31, 2020	\$ 827	\$ (181,615)	\$ 1,200,023	\$ (395,496)	\$ (8,479)	\$ 615,260	\$ 11,531	\$ 626,791
Net loss	—	—	—	(14,745)	—	(14,745)	(462)	(15,207)
Foreign currency translation adjustment	—	—	—	—	(707)	(707)	—	(707)
Pension and post-retirement liability	—	—	—	—	6,624	6,624	—	6,624
Cash dividends	—	—	—	8	—	8	—	8
Distributions to non-controlling interest	—	—	—	—	—	—	(785)	(785)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	13,391	—	—	13,391	—	13,391
Proceeds from options exercised	—	344	(239)	—	—	105	—	105
Tax payments related to shares withheld for vested restricted stock and stock units	10	(2,212)	(10)	—	—	(2,212)	—	(2,212)
Balance at September 30, 2021	\$ 837	\$ (183,483)	\$ 1,213,165	\$ (410,233)	\$ (2,562)	\$ 617,724	\$ 10,284	\$ 628,008

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; dollars in thousands)

	Nine Months Ended September 30,	
	2022	2021
<b>Operating activities:</b>		
Net income (loss)	\$ 46,324	\$ (15,207)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	106,964	122,494
Goodwill and other asset impairments	—	49
Debt issuance amortization	3,696	3,801
Original issue discount amortization	749	771
Deferred income taxes	9,789	(3,239)
Deferred revenue	(9,461)	(14,264)
Gain on disposal of property, plant and equipment	(557)	(406)
Equity-based compensation	13,821	13,391
Allowance for credit losses, net of recoveries	378	(948)
Other	5,067	23,696
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(35,309)	31,216
Inventories	(26,918)	(11,721)
Prepaid expenses and other current assets	1,801	1,185
Income taxes	460	1,789
Accounts payable and accrued expenses	72,678	36,824
Operating lease liabilities	(17,643)	(19,728)
Liability for pension and other post-retirement benefits	1,854	(11,119)
Other noncurrent assets and liabilities	(4,233)	(1,802)
Net cash provided by operating activities	<u>169,460</u>	<u>156,782</u>
<b>Investing activities:</b>		
Capital expenditures	(28,691)	(15,394)
Capitalized intellectual property costs	(343)	(210)
Proceeds from sale of property, plant and equipment	2,171	644
Net cash used in investing activities	<u>(26,863)</u>	<u>(14,960)</u>
<b>Financing activities:</b>		
Dividends paid	(163)	(41)
Proceeds from options exercised	956	105
Tax payments related to shares withheld for vested restricted stock and stock units	(2,414)	(2,212)
Payments on Revolver	—	(25,000)
Payments on short-term debt	(4,424)	(4,184)
Payments on long-term debt	(106,738)	(9,600)
Distributions to non-controlling interest	(1,107)	(785)
Principal payments on finance lease obligations	(999)	(438)
Net cash used in financing activities	<u>(114,889)</u>	<u>(42,155)</u>
Net increase in cash and cash equivalents	27,708	99,667
<b>Cash and cash equivalents, beginning of period</b>	239,425	150,920
<b>Cash and cash equivalents, end of period</b>	<u>\$ 267,133</u>	<u>\$ 250,587</u>



**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(Unaudited; dollars in thousands)

	Nine Months Ended September 30,	
	2022	2021
<b>Supplemental cash flow information:</b>		
Cash paid (received) during the period for:		
Interest	\$ 49,913	\$ 48,538
Taxes, net of refunds	\$ (16,152)	\$ (13,324)
Non-cash items:		
Accrued capital expenditures	\$ 3,724	\$ 2,592
Net assets assumed in business acquisition	\$ —	\$ 68

*The accompanying notes are an integral part of these financial statements.*

**U.S. SILICA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited; dollars in thousands, except per share amounts)**

**NOTE A—ORGANIZATION AND BASIS OF PRESENTATION**

***Organization***

U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) is a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC (“EPM”), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite. During our 122-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver products to customers across our end markets. Our operations are organized into two reportable segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. See Note S - Segment Reporting for more information on our reportable segments.

***Basis of Presentation and Consolidation***

The accompanying unaudited Condensed Consolidated Financial Statements for the quarter ended September 30, 2022 included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (“SEC”). They do not contain certain information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021; therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Operating results for the nine-month period ended September 30, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022. In the opinion of management, all adjustments necessary for a fair presentation have been included. Such adjustments are of a normal, recurring nature.

The unaudited Condensed Consolidated Financial Statements include the accounts of Holdings and its direct and indirect wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Throughout this report we refer to (i) our unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” (ii) our unaudited Condensed Consolidated Statements of Operations as our “Income Statements,” and (iii) our unaudited Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Use of Estimates and Assumptions***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring the use of management estimates and assumptions relate to the purchase price allocation for businesses acquired; mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable minerals; estimates of allowance for credit losses; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill, intangible assets and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; contingent considerations; reserves for contingencies and litigation and the fair value and accounting treatment of financial instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

***New Accounting Pronouncements Recently Adopted***

None.

### *New Accounting Pronouncements Not Yet Adopted*

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting followed by ASU 2021-01, Reference Rate Reform (Topic 848): Scope, issued in January 2021 to provide clarifying guidance regarding the scope of Topic 848. ASU 2020-04 was issued to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Generally, the guidance is to be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. ASU 2020-04 and ASU 2021-01 are effective for all entities through December 31, 2022. In April 2022, the FASB proposed to extend the effective date through December 31, 2024; however, a final ruling has not been issued. As of September 30, 2022, we have not elected to use the optional guidance and continue to evaluate the options provided by ASU 2020-04 and ASU 2021-01. See Note I - Debt for discussion of the use of the adjusted LIBOR rate in connection with borrowings under our senior secured revolving credit facility.

### **NOTE C—EARNINGS PER SHARE**

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Diluted net earnings per share assumes the conversion of contingently convertible securities and stock options under the treasury stock method, if dilutive. Contingently convertible securities and stock options are excluded from the calculation of fully diluted earnings per share if they are anti-dilutive, including when we incur a loss from continuing operations.

The following table shows the computation of basic and diluted earnings per share:

<i>In thousands, except per share amounts</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Numerator:</b>				
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 32,071	\$ (19,995)	\$ 46,586	\$ (14,74)
<b>Denominator:</b>				
Weighted average shares outstanding	75,587	74,523	75,446	74,26
Diluted effect of stock awards	2,183	—	2,134	—
Weighted average shares outstanding assuming dilution	77,770	74,523	77,580	74,26
<b>Earnings (loss) per share attributable to U.S. Silica Holdings, Inc.:</b>				
Basic earnings (loss) per share	\$ 0.42	\$ (0.27)	\$ 0.62	\$ (0.2)
Diluted earnings (loss) per share	\$ 0.41	\$ (0.27)	\$ 0.60	\$ (0.2)

Potentially dilutive shares are excluded from the calculation of diluted weighted average shares outstanding and diluted earnings per share if we are in a net loss position. Certain stock options, restricted stock awards and performance share units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Such potentially dilutive shares and stock awards excluded from the calculation of diluted earnings per common share were as follows:

<i>In thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Potentially dilutive shares excluded	N/A	1,523	N/A	1,706
Stock options excluded	521	667	509	584
Restricted stock and performance share unit awards excluded	7	92	24	67

#### NOTE D—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with accumulated adjustments for net experience losses and prior service costs related to employee benefit plans and foreign currency translation adjustments, net of tax. The following table presents the changes in accumulated other comprehensive income (loss) by component (in thousands):

	For the Nine Months Ended September 30, 2022		
	Foreign currency translation adjustments	Pension and other post- retirement benefits liability	Total
Beginning Balance	\$ (417)	\$ 766	\$ 349
Other comprehensive loss before reclassifications	(1,364)	(1,759)	(3,123)
Amounts reclassified from accumulated other comprehensive loss	—	(42)	(42)
Ending Balance	\$ (1,781)	\$ (1,035)	\$ (2,816)

Any amounts reclassified from accumulated other comprehensive income (loss) related to pension and other post-retirement benefits are included in the computation of net periodic benefit costs at their pre-tax amounts.

#### NOTE E—ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of our accounts receivable, net of the allowance for credit losses, represents their estimated net realizable value. Accounts receivable (in thousands) consisted of the following:

	September 30, 2022	December 31, 2021
Trade receivables	\$ 239,029	\$ 182,992
Less: Allowance for credit losses	(5,595)	(5,248)
Net trade receivables	233,434	177,744
Other receivables <sup>(1)</sup>	2,797	25,015
Total accounts receivable	\$ 236,231	\$ 202,759

<sup>(1)</sup> Other receivables included zero and \$21.5 million at September 30, 2022 and December 31, 2021, respectively, of refunds related to NOL carryback claims filed for various tax years in accordance with certain provisions of the CARES Act.

We classify our trade receivables into the following portfolio segments: Oil & Gas Proppants and Industrial & Specialty Products, which also aligns with our reporting segments. We estimate the allowance for credit losses based on historical collection trends, the age of outstanding receivables, risks attributable to specific customers, such as credit history, bankruptcy or other going concern issues, and current economic and industry conditions. If events or circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due balances are written off when we have exhausted our internal and external collection efforts and have been unsuccessful in collecting the amount due.

The following table reflects the change of the allowance for credit losses (in thousands):

	Oil & Gas Proppants	Industrial & Specialty Products	Total
Beginning balance, December 31, 2021	\$ 4,625	\$ 623	\$ 5,248
Allowance for credit losses	—	378	378
Write-offs	(8)	(23)	(31)
Ending balance, September 30, 2022	\$ 4,617	\$ 978	\$ 5,595

Our ten largest customers accounted for 42% and 40% of total sales for the three and nine months ended September 30, 2022, respectively, and 30% and 42% for the three and nine months ended September 30, 2021, respectively. No customers accounted for 10% or more of our total sales for the three or nine months ended September 30, 2022 or 2021. At September 30, 2022 and December 31, 2021, none of our customers' accounts receivable represented 10% or more of our total trade accounts receivable.

#### NOTE F—INVENTORIES

Inventories (in thousands) consisted of the following:

	September 30, 2022	December 31, 2021
Supplies	\$ 54,933	\$ 45,605
Raw materials and work in process	41,165	36,529
Finished goods	47,100	33,579
Total inventories	\$ 143,198	\$ 115,713

#### NOTE G—PROPERTY, PLANT AND MINE DEVELOPMENT

Property, plant and mine development (in thousands) consisted of the following:

	September 30, 2022	December 31, 2021
Mining property and mine development	\$ 790,499	\$ 789,122
Asset retirement cost	19,937	22,283
Land	55,582	55,541
Land improvements	76,338	76,248
Buildings	73,151	72,207
Machinery and equipment	1,197,418	1,189,548
Furniture and fixtures	3,922	3,932
Construction-in-progress	50,051	35,060
	2,266,898	2,243,941
Accumulated depreciation, depletion, amortization and impairment charges	(1,075,941)	(985,295)
Total property, plant and mine development, net	\$ 1,190,957	\$ 1,258,646

Depreciation, depletion, and amortization expense related to property, plant and mine development was \$31.6 million and \$37.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$98.2 million and \$114.0 million for the nine months ended September 30, 2022 and 2021, respectively.

## NOTE H—GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (in thousands) by business segment consisted of the following:

	Oil & Gas Proppants Segment	Industrial & Specialty Products Segment	Total
Balance at December 31, 2021	\$ —	\$ 185,649	\$ 185,649
Impairment loss	—	—	—
Balance at September 30, 2022	\$ —	\$ 185,649	\$ 185,649

Goodwill and trade names are evaluated for impairment annually as of October 31, or more frequently when indicators of impairment exist. We evaluated events and circumstances since the date of our last qualitative assessment, including macroeconomic conditions, industry and market conditions, and our overall financial performance. There were no triggering events during the first nine months of 2022, therefore, no impairment charges were recorded related to goodwill or trade names for the nine months ended September 30, 2022.

The changes in the carrying amount of intangible assets (in thousands) consisted of the following:

	September 30, 2022				December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Impairments	Net	Gross Carrying Amount	Accumulated Amortization	Impairments	Net
Technology and intellectual property	\$ 71,522	\$ (28,767)	\$ —	\$ 42,755	\$ 71,209	\$ (25,069)	\$ (38)	\$ 46,102
Customer relationships	66,999	(31,589)	—	35,410	66,999	(27,987)	—	39,012
Total definite-lived intangible assets:	\$ 138,521	\$ (60,356)	\$ —	\$ 78,165	\$ 138,208	\$ (53,056)	\$ (38)	\$ 85,114
Trade names	64,240	—	—	64,240	64,240	—	—	64,240
Other	700	—	—	700	700	—	—	700
Total intangible assets:	\$ 203,461	\$ (60,356)	\$ —	\$ 143,105	\$ 203,148	\$ (53,056)	\$ (38)	\$ 150,054

Estimated useful life of technology and intellectual property is 15 years. Estimated useful life of customer relationships is a range of 13 - 20 years.

Amortization expense was \$2.4 million and \$7.3 million for the three and nine months ended September 30, 2022, respectively and \$2.4 million and \$7.3 million for the three and nine months ended September 30, 2021, respectively.

The estimated amortization expense related to definite-lived intangible assets (in thousands) for the five succeeding years is as follows:

2022 (remaining three months)	\$	2,421
2023	\$	9,679
2024	\$	9,681
2025	\$	9,679
2026	\$	9,679

**NOTE I—DEBT**

Debt (in thousands) consisted of the following:

	September 30, 2022	December 31, 2021
Senior secured credit facility:		
Revolver expiring May 1, 2023 (6.56% at September 30, 2022 and 4.13% at December 31, 2021)	\$ —	\$ —
Term Loan—final maturity May 1, 2025 (6.56% at September 30, 2022 and 5.00% at December 31, 2021)	1,112,262	1,222,000
Less: Unamortized original issue discount	(2,367)	(3,350)
Less: Unamortized debt issuance cost	(10,498)	(15,200)
Insurance financing notes payable	8,441	4,424
Finance leases (See Note O - Leases)	4,645	3,546
Total debt	1,112,483	1,211,420
Less: current portion	(22,770)	(18,285)
Total long-term portion of debt	\$ 1,089,713	\$ 1,193,135

**Senior Secured Credit Facility**

On May 1, 2018, we entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement"), which increased our existing senior debt by entering into a new \$1.380 billion senior secured credit facility, consisting of a \$1.280 billion term loan (the "Term Loan") and a \$100 million revolving credit facility (the "Revolver") (collectively the "Credit Facility") that may also be used for swingline loans or letters of credit, and we may elect to increase the term loan in accordance with the terms of the Credit Agreement. Borrowings under the Credit Agreement will bear interest at variable rates as determined at our election, at LIBOR or a base rate, in each case, plus an applicable margin. In addition, under the Credit Agreement, we are required to pay a per annum facility fee and fees for letters of credit. The Credit Agreement is secured by substantially all of our assets and our domestic subsidiaries' assets and a pledge of the equity interests in such entities. The Term Loan matures on May 1, 2025, and the Revolver expires May 1, 2023. We capitalized \$38.7 million in debt issuance costs and original issue discount as a result of the Credit Agreement.

The Credit Facility contains covenants that, among other things, limit our ability, and certain of our subsidiaries' abilities, to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. The Credit Agreement also requires us to maintain a consolidated leverage ratio of no more than 3.75:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 30% of the Revolver commitment. These covenants are subject to a number of important exceptions and qualifications. The Credit Agreement includes events of default and other affirmative and negative covenants that are usual for facilities and transactions of this type. As of September 30, 2022 and December 31, 2021, we were in compliance with all covenants in accordance with our senior secured Credit Facility.

### *Term Loan*

At September 30, 2022, contractual maturities of our Term Loan (in thousands) are as follows:

2022 (remaining three months)	\$	3,200
2023		12,800
2024		12,800
2025		1,083,462
2026		—
Thereafter		—
Total	\$	<u>1,112,262</u>

During the three months ended September 30, 2022, we repurchased outstanding debt under the Term Loan in the amount of \$100 million discounted at a rate of 97%. A proportionate share of debt issuance and original discount costs were written off in conjunction with this repurchase which resulted in additional expense of approximately \$1.2 million. As a result, we recorded a gain on extinguishment of debt in the amount of \$1.7 million. The gain on extinguishment was recorded in Other income, net, including interest income in the Condensed Consolidated Statements of Operations.

### *Revolving Line-of-Credit*

We have a \$100.0 million Revolver with zero drawn and \$21.1 million allocated for letters of credit as of September 30, 2022, leaving \$78.9 million available under the Revolver.

Based on our consolidated leverage ratio of 3.81:1.00 as of September 30, 2022, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver.

### *Insurance Financing Notes Payable*

During the third quarter of 2022, we renewed our insurance policies and financed the payments through notes payable with a stated interest rate of 6.0%. These payments will be made in installments throughout a nine-month period and, as such, have been classified as current debt. As of September 30, 2022, the notes payable had a balance of \$8.4 million.



## NOTE J—ASSET RETIREMENT OBLIGATIONS

Mine reclamation or future remediation costs for inactive mines are accrued based on management's best estimate of the costs expected to be incurred at such site at the end of each period. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Liabilities related to our asset retirement obligations are reflected in other long-term liabilities on our balance sheets. Changes in the asset retirement obligations (in thousands) are as follows:

	Nine Months Ended September 30,	
	2022	2021
Beginning balance	\$ 32,049	\$ 24,717
Accretion	1,123	1,046
Additions and revisions of estimates	(3,126)	3,397
Payments	(62)	—
Ending balance	\$ 29,984	\$ 29,160

## NOTE K—FAIR VALUE ACCOUNTING

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

### *Cash Equivalents*

Due to the short-term maturity, we believe our cash equivalent instruments at September 30, 2022 and December 31, 2021, approximated their reported carrying values.

### *Long-Term Debt, Including Current Maturities*

We believe that the fair values of our long-term debt, including current maturities, approximated their carrying values based on their effective interest rates compared to current market rates.

## NOTE L—EQUITY-BASED COMPENSATION

In July 2011, we adopted the U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan (the "2011 Plan"), which was amended and restated effective May 2015, amended and restated effective February 1, 2020, amended and restated effective May 13, 2021 and amended and restated effective May 12, 2022. The 2011 Plan provides for grants of stock options, restricted stock, performance share units and other incentive-based awards. We believe our 2011 Plan aligns the interests of our employees and directors with those of our common stockholders. We use a combination of treasury stock and new shares, if necessary, to satisfy option exercises or vesting of restricted awards and performance share units.

## Stock Options

The following table summarizes the status of, and changes in, our stock option awards during the nine months ended September 30, 2022:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2021	666,718	\$ 30.84	2.4 years
Granted	—	\$ —	
Exercised	(90,000)	\$ 10.61	
Forfeited	—	\$ —	
Expired	(55,695)	\$ 18.42	
Outstanding at September 30, 2022	521,023	\$ 35.67	2.2 years
Exercisable at September 30, 2022	521,023	\$ 35.67	2.2 years

There were no grants of stock options during the three and nine months ended September 30, 2022 and 2021.

The following table summarizes stock option exercise activity:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Options exercised (in actual shares)	40,000	—	90,000	10,164
Intrinsic value of options exercised (in thousands) \$	167	—	613	44
Cash received from options exercised (in thousands) \$	423	—	956	105
Tax benefit realized from options exercised (in thousands) \$	40	—	148	11

As of September 30, 2022 and 2021, there was no unrecognized compensation expense related to these options. We account for forfeitures as they occur.

## Restricted Stock and Restricted Stock Unit Awards

The following table summarizes the status of, and changes in, our unvested restricted stock awards during the nine months ended September 30, 2022:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2021	1,144,310	\$ 8.37
Granted	642,333	\$ 10.44
Vested	(235,790)	\$ 9.88
Forfeited	(24,045)	\$ 9.83
Unvested, September 30, 2022	1,526,808	\$ 8.98

We granted 11,621 and 642,333 restricted stock and restricted stock unit awards during the three and nine months ended September 30, 2022, respectively. We granted 53,383 and 748,844 restricted stock and restricted stock units during the three and nine months ended September 30, 2021, respectively. The fair value of the awards was based on the market price of our stock at date of grant.

We recognized \$1.8 million and \$5.2 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and nine months ended September 30, 2022, respectively. We recognized \$1.7 million and \$5.0 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and nine months ended September 30, 2021, respectively. As of September 30, 2022, there was \$8.8 million of unrecognized

compensation expense related to these restricted stock and restricted stock units, which is expected to be recognized over a weighted-average period of 1.8 years.

We also granted cash awards during the three months ended March 31, 2020. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.2 million and \$0.6 million of expense related to these awards for the three and nine months ended September 30, 2022, respectively. We recognized \$39.0 thousand and \$0.6 million of expense related to these awards for the three and nine months ended September 30, 2021, respectively. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets. These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. As of September 30, 2022, estimated unrecognized expense related to these awards was \$0.3 million over a period of 0.4 years.

#### Performance Share Unit Awards

The following table summarizes the status of, and changes in, our performance share unit awards during the nine months ended September 30, 2022:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2021	1,914,589	\$ 9.77
Granted	920,681	\$ 11.79
Vested	(497,401)	\$ 14.56
Forfeited/Cancelled	(34,079)	\$ 11.33
Unvested, September 30, 2022	<u>2,303,790</u>	<u>\$ 9.52</u>

We granted zero and 920,681 performance share unit awards during the three and nine months ended September 30, 2022, respectively. We granted zero and 776,153 performance share unit awards during the three and nine months ended September 30, 2021, respectively. A portion of these awards was measured against total shareholder return ("TSR"), and a portion was measured against adjusted free cash flow ("ACF") targets. The grant date weighted average fair value of these awards was estimated to be \$11.79 and \$11.52 for the nine months ended September 30, 2022 and 2021, respectively.

The number of TSR measured units that will vest will depend on the percentage ranking of our TSR compared to the TSR for each of the companies in the peer group over the three year period from January 1, 2022 through December 31, 2024 for the 2022 grant, January 1, 2021 through December 31, 2023 for the 2021 grant, and from January 1, 2020 through December 31, 2022 for the 2020 grant. The number of ACF measured units that will vest will be based on ACF achievement versus target. The ACF targets are set annually and are approved by the Board of Directors. The related compensation expense is recognized on a straight-line basis over the vesting period.

The grant date fair value for the TSR awards was estimated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the use of highly subjective assumptions. Our key assumptions in the model included the price and the expected volatility of our common stock and our self-determined peer group companies' stock, risk-free rate of interest, dividend yields and cross-correlations between our common stock and our self-determined peer group companies' stock.

We recognized \$2.9 million and \$8.6 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2022, respectively. We recognized \$3.8 million and \$8.4 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2021, respectively. As of September 30, 2022, there was \$10.6 million of unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a weighted-average period of 1.9 years.

We also granted cash awards during the three months ended March 31, 2020. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.8 million and \$0.5 million of expense related to these awards for the nine months ended September 30, 2022 and 2021, respectively. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets. These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. As of September 30, 2022, estimated unrecognized expense related to these awards was \$0.2 million over a period of 0.4 years.

## NOTE M—COMMITMENTS AND CONTINGENCIES

### *Future Minimum Annual Commitments at September 30, 2022 (in thousands):*

	<b>Minimum Purchase Commitments</b>
2022 (remaining three months)	\$ 1,775
2023	8,496
2024	4,295
2025	2,886
2026	2,180
Thereafter	9,288
Total future purchase commitments	<u>\$ 28,920</u>

### *Minimum Purchase Commitments*

We enter into service agreements with our transload and transportation service providers. Some of these agreements require us to purchase a minimum amount of services over a specific period of time. Any inability to meet these minimum contract requirements requires us to pay a shortfall fee, which is based on the difference between the minimum amount contracted for and the actual amount purchased.

### *Contingent Liability on Royalty Agreement*

On May 17, 2017, we purchased reserves in Crane County, Texas, for \$94.4 million cash plus contingent consideration. The contingent consideration is a royalty that is based on the tonnage shipped to third-parties. Because the contingent consideration is dependent on future tonnage sold, the amounts of which are uncertain, it is not currently possible to estimate the fair value of these future payments. The contingent consideration will be capitalized at the time a payment is probable and reasonably estimable, and the related depletion expense will be adjusted prospectively.

### *Other Commitments and Contingencies*

Our operating subsidiary, U.S. Silica Company (“U.S. Silica”), has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. During the nine months ended September 30, 2022, zero new claims were brought against U.S. Silica. As of September 30, 2022, there were 42 active silica-related product liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

We have recorded estimated liabilities for these claims in other long-term liabilities as well as estimated recoveries under the indemnity agreement and an estimate of future recoveries under insurance in other assets on our consolidated balance sheets. For both September 30, 2022 and December 31, 2021, other non-current assets included zero for insurance for third-party product liability claims. As of September 30, 2022 and December 31, 2021 other long-term liabilities included \$0.8 million and \$0.9 million, respectively, for third-party product liability claims.

### *Obligations under Guarantees*

We have indemnified our insurers against any loss they may incur in the event that holders of surety bonds, issued on our behalf, execute the bonds. As of September 30, 2022, there was \$42.6 million in bonds outstanding, of which \$38.6 million related to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to licenses, permits, and tax collection.

## NOTE N—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. The plan is frozen to all new employees. The plan provides benefits based on each covered employee's years of qualifying service. Our funding policy is to contribute amounts within the range of the minimum required and maximum deductible contributions for the plan consistent with a goal of appropriate minimization of the unfunded projected benefit obligations. The pension plan uses a benefit level per year of service for covered hourly employees and a final average pay method for covered salaried employees. The plan uses the projected unit credit cost method to determine the actuarial valuation.

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. The projected future cost of providing post-retirement benefits, such as healthcare and life insurance, is recognized as an expense as employees render services. In general, retiree health benefits are paid as covered expenses are incurred. Expenses incurred other than service costs are reported in Other income (expense) in our Condensed Consolidated Statements of Operations.

Net pension benefit cost (in thousands) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service cost	\$ 506	\$ 585	\$ 1,887	\$ 2,196
Interest cost	959	532	2,340	2,012
Expected return on plan assets	(1,573)	(1,509)	(4,415)	(4,369)
Net amortization and deferral	686	567	1,687	2,468
Net pension benefit costs	\$ 578	\$ 175	\$ 1,499	\$ 2,307

Net post-retirement benefit cost (in thousands) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service cost	\$ 1	\$ (21)	\$ 13	\$ 18
Interest cost	63	(99)	135	106
Unrecognized prior service cost	(516)	(1,547)	(1,547)	(1,547)
Unrecognized net (gain)/loss	(154)	(106)	(223)	(106)
Net post-retirement benefit income	(606)	(1,773)	(1,622)	(1,529)

We made no contributions to the qualified pension plan for the three and nine months ended September 30, 2022. We contributed \$0.2 million and \$2.8 million to the qualified pension plan for the three and nine months ended September 30, 2021, respectively. Our best estimates of expected contributions to the pension and post-retirement medical benefit plans for the 2022 fiscal year are zero and \$1.1 million, respectively.

We contribute to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements for union-represented employees. A multiemployer plan is subject to collective bargaining for employees of two or more unrelated companies. These plans allow multiple employers to pool their pension resources and realize efficiencies associated with the daily administration of the plan. Multiemployer plans are generally governed by a board of trustees composed of management and labor representatives and are funded through employer contributions. However, in most cases, management is not directly represented. Our contributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions for the three and nine months ended September 30, 2022 and 2021. Additionally, our contributions to multiemployer post-retirement benefit plans were immaterial for all periods presented in the accompanying condensed consolidated financial statements.

We also sponsor a defined contribution plan covering certain employees. We contribute to the plan in two ways. For certain employees not covered by the defined benefit plan, we make a contribution equal to 4% of their salary. For all other eligible employees, we make a contribution up to 6% of eligible earnings. Contributions were \$1.7 million and \$5.2 million for the three and nine months ended September 30, 2022 and \$1.5 million and \$4.4 million for the three and nine months ended September 30, 2021, respectively.

## NOTE O—LEASES

We lease railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. The majority of our leases have remaining lease terms of approximately one year to 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We have lease agreements with lease and non-lease components, the latter of which are generally accounted for separately.

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

Leases	Classification	September 30, 2022	December 31, 2021
<b>Assets</b>			
Operating	Lease right-of-use assets	\$ 42,861	\$ 38,793
Finance	Lease right-of-use assets	4,564	3,448
<b>Total leased assets</b>		<b>\$ 47,425</b>	<b>\$ 42,241</b>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current portion of operating lease liabilities	\$ 19,255	\$ 14,469
Finance	Current portion of long-term debt	1,528	1,061
<b>Non-current</b>			
Operating	Operating lease liabilities	69,269	75,130
Finance	Long-term debt, net	3,117	2,485
<b>Total lease liabilities</b>		<b>\$ 93,169</b>	<b>\$ 93,145</b>
<b>Lease Term and Discount Rate</b>			
<b>Weighted average remaining lease term:</b>			
Operating		6.4 years	6.9 years
Finance		4.2 years	3.6 years
<b>Weighted average discount rate:</b>			
Operating		5.7%	5.7%
Finance		5.0%	5.1%

The components of lease expense (in thousands) were as follows:

Lease Costs	Classification	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating lease costs <sup>(1)</sup>	Cost of sales	\$ 10,925	\$ 8,097	\$ 27,844	\$ 24,994
Operating lease costs <sup>(2)</sup>	Selling, general and administrative	392	447	1,193	1,468
Total <sup>(3)</sup>		<b>\$ 11,317</b>	<b>\$ 8,544</b>	<b>\$ 29,037</b>	<b>\$ 26,462</b>

<sup>(1)</sup> Included short-term operating lease costs of \$6.9 million and \$16.8 million for the three and nine months ended September 30, 2022, respectively. Included short-term operating lease costs of \$4.6 million and \$12.9 million for the three and nine months ended September 30, 2021, respectively.

<sup>(2)</sup> Included short-term operating lease costs of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2022, respectively. Included short-term operating lease costs of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2021, respectively.

<sup>(3)</sup> Not included were expenses for finance leases of \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2022 and \$0.6 million and \$0.9 million for the three and nine months ended September 30, 2021, respectively.

Supplemental cash flow information (in thousands) related to leases was as follows:

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows for operating leases	\$ 17,643	\$ 19,728
Financing cash flows for finance leases	\$ 999	\$ 456
<b>Right-of-use assets obtained in exchange for new lease liabilities:</b>		
Operating leases	\$ 13,579	\$ 15,444
Finance leases	\$ 2,097	\$ 3,834

Maturities of lease liabilities (in thousands) as of September 30, 2022:

	Operating leases	Finance leases
2022 (remaining three months)	\$ 5,050	\$ 445
2023	25,525	1,848
2024	20,500	1,456
2025	14,736	941
2026	11,698	271
Thereafter	31,808	33
Total lease payments	\$ 109,317	\$ 4,994
Less: Interest	17,922	349
Less: Other operating expenses	2,871	—
Total	\$ 88,524	\$ 4,645

#### NOTE P— INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. At the end of each interim period, we update the estimated annual effective tax rate, and if the estimated tax rate changes based on new information, we make a cumulative adjustment in the period. We record the tax effect of an unusual or infrequently occurring item in the interim period in which it occurs as a discrete item of tax.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) was enacted and signed into law in response to the COVID-19 pandemic. The CARES Act, among other things, permitted NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning after 2017 and before 2021. In addition, the CARES Act allowed NOLs generated after 2017 and before 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. As a result, during 2020, we carried the NOL generated in 2019 back to offset the taxable income in the 2014 tax year which generated a refund of \$36.6 million. This refund was received during the second quarter of 2020. We also amended our 2018 tax return to generate an NOL by electing bonus depreciation. We then carried the NOL generated in 2018 back to offset the taxable income in prior years which generated a refund of \$26.3 million, of which \$4.9 million was received during the fourth quarter of 2020 and \$21.1 million was received during the first quarter of 2022. At September 30, 2022, the remaining \$0.3 million of this refund was included in our deferred tax asset balance. The deferred tax assets related to the NOLs generated in 2018 and 2019 were recorded at the statutory income tax rate for 2018 and 2019, which was 21% for both years. As a result of the carry back of these NOLs to prior years, the NOLs will be utilized at the statutory income tax rate for pre-2018, which was 35%. This increase in the tax rate at which the 2018 and 2019 NOLs will be utilized results in a deferred tax benefit. Accordingly, for the year ended December 31, 2020, we recorded a deferred tax benefit of \$22.3 million. Pursuant to ASC 740, this was recorded as a discrete component of the tax benefit.

For the three and nine months ended September 30, 2022, we had tax expense of \$10.3 million and \$15.2 million, respectively. For the three and nine months ended September 30, 2021, we had a tax benefit of \$6.1 million and tax expense of \$1.2 million, respectively. The effective tax rates were 24% and 25% for the three and nine months ended September 30, 2022, respectively. The effective tax rates were 23% and (8)% for the three and nine months ended September 30, 2021, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and non-US income taxes, the effective tax rates for the three and nine months ended September 30, 2022 would have been 24% and 23%, respectively.

Without discrete items, which primarily consist of tax expense related to equity compensation and state tax expense, the effective tax rates for both the three and nine months ended September 30, 2021 would have been 24%.

During the three and nine months ended September 30, 2022, we recorded a tax benefit of zero and tax expense of \$0.1 million, respectively, related to equity compensation. During the three and nine months ended September 30, 2021, we recorded tax expense of zero and \$0.5 million, respectively, related to equity compensation.

## NOTE Q— REVENUE

We consider sales disaggregated at the product and service level by business segment to depict how the nature, amount, timing and uncertainty of revenues and cash flow are impacted by changes in economic factors. The following table disaggregates our sales by major source (in thousands):

Category	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 158,479	\$ 151,352	\$ 309,831	\$ 90,684	\$ 125,450	\$ 216,134
Service	108,982	—	108,982	51,164	—	51,164
Total Sales	\$ 267,461	\$ 151,352	\$ 418,813	\$ 141,848	\$ 125,450	\$ 267,298

  

Category	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 409,128	\$ 424,262	\$ 833,390	\$ 313,438	\$ 362,173	\$ 675,611
Service	278,823	—	278,823	143,404	—	143,404
Total Sales	\$ 687,951	\$ 424,262	\$ 1,112,213	\$ 456,842	\$ 362,173	\$ 819,015

The following tables reflect the changes in our contract assets, which we classify as unbilled receivables and our contract liabilities, which we classify as deferred revenues, for the nine months ended September 30, 2022 and 2021 (in thousands):

	Unbilled Receivables	
	September 30, 2022	September 30, 2021
Beginning Balance	\$ 1,957	\$ 47,982
Reclassifications to billed receivables	(4,457)	(94,273)
Revenues recognized in excess of period billings	3,021	57,323
Ending Balance	\$ 521	\$ 11,032

	Deferred Revenue	
	September 30, 2022	September 30, 2021
Beginning Balance	\$ 20,741	\$ 33,692
Revenues recognized from balances held at the beginning of the period	(3,248)	(11,162)
Revenues deferred from period collections on unfulfilled performance obligations	21,398	4,361
Revenues recognized from period collections	(7,672)	(3,102)
Ending Balance	\$ 31,219	\$ 23,789

We have elected to use the practical expedients allowed under ASC 606-10-50-14, pursuant to which we have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue. The majority of our remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, all of which hold a remaining duration of less than one year. The long-term portion of deferred



revenue primarily represents a combination of refundable and nonrefundable customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the contract. Our residual unfulfilled performance obligations are comprised primarily of long-term equipment rental arrangements in which we recognize revenues equal to what we have a right to invoice. Generally, no variable consideration exists related to our remaining performance obligations and no consideration is excluded from the associated transaction prices.

During the second quarter of 2021, we entered into an agreement to settle a customer dispute regarding fees related to minimum purchase commitments from 2014-2020. As a result of this settlement, we recognized approximately \$49.0 million in revenue as of June 30, 2021. At June 30, 2021, \$43.9 million was included in unbilled receivables and \$1.1 million was included in billed receivables related to this settlement. These amounts were received in full during the third quarter of 2021.

### Foreign Operations

The following table includes information related to our foreign operations (in thousands):

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Total Sales	\$ 28,891	\$ 23,781	\$ 83,803	\$ 71,133
Pre-tax income	\$ 7,936	\$ 2,852	\$ 22,464	\$ 12,024
Net income	\$ 6,270	\$ 2,253	\$ 17,747	\$ 9,496

Foreign operations constituted approximately \$35.4 million and \$31.8 million of consolidated assets as of September 30, 2022 and 2021, respectively.

## **NOTE R— RELATED PARTY TRANSACTIONS**

There were no related party transactions during the three and nine months ended September 30, 2022 or 2021.

## **NOTE S— SEGMENT REPORTING**

Our business is organized into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets that we serve and the financial information reviewed by the chief operating decision maker. We manage our Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

In the Oil & Gas Proppants segment, we serve the oil and gas recovery market primarily by providing and delivering fracturing sand, or “frac sand,” which is pumped down oil and natural gas wells to prop open rock fissures and increase the flow rate of oil and natural gas from the wells.

The Industrial & Specialty Products segment consists of over 600 product types and materials used in a variety of industries, including container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

An operating segment’s performance is primarily evaluated based on segment contribution margin, which excludes selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, segment contribution margin is a non-GAAP measure and should be considered in addition to, not a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with GAAP. The other accounting policies of each of the two reportable segments are the same as those in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2021 Annual Report on Form 10-K.

The following table presents sales and segment contribution margin (in thousands) for the reportable segments and other operating results not allocated to the reportable segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Sales:</b>				
Oil & Gas Proppants	\$ 267,461	\$ 141,848	\$ 687,951	\$ 456,842
Industrial & Specialty Products	151,352	125,450	424,262	362,173
Total sales	418,813	267,298	1,112,213	819,015
<b>Segment contribution margin:</b>				
Oil & Gas Proppants	85,295	25,723	207,401	129,937
Industrial & Specialty Products	46,526	41,003	130,275	126,981
Total segment contribution margin	131,821	66,726	337,676	256,918
Operating activities excluded from segment cost of sales	(4,528)	(6,876)	(12,748)	(15,295)
Selling, general and administrative	(33,933)	(30,956)	(108,860)	(84,689)
Depreciation, depletion and amortization	(34,500)	(39,981)	(106,964)	(122,494)
Goodwill and other asset impairments	—	(11)	—	(49)
Interest expense	(20,174)	(17,796)	(54,777)	(53,425)
Other income, net, including interest income	3,576	2,580	7,206	4,999
Income tax (expense) benefit	(10,259)	6,140	(15,209)	(1,172)
Net income (loss)	\$ 32,003	\$ (20,174)	\$ 46,324	\$ (15,207)
Less: Net loss attributable to non-controlling interest	(68)	(179)	(262)	(462)
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 32,071	\$ (19,995)	\$ 46,586	\$ (14,745)

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. At both September 30, 2022 and December 31, 2021, goodwill of \$185.6 million has been allocated to these segments with zero allocated to Oil & Gas Proppants and \$185.6 million to Industrial & Specialty Products.

#### NOTE T— SUBSEQUENT EVENTS

Subsequent to quarter end, we repurchased outstanding debt under the Term Loan in the amount of \$50.0 million discounted at a rate of 96.25%.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the consolidated financial statements, the accompanying notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report").*

*Adjusted EBITDA and segment contribution margin as used herein are non-GAAP measures. For a detailed description of Adjusted EBITDA and segment contribution margin and reconciliations to their most comparable GAAP measures, please see the discussion below under "How We Evaluate Our Business."*

### Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial

condition, results of operations, plans, objectives, future performance and business. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “could,” “can have,” “likely” and other words and terms of similar meaning.

For example, all statements we make relating to our estimated and projected costs; the impact of the COVID-19 pandemic on our future plans and results of operations; the impact on our costs of heightened levels of inflation and rising interest rates; reserve and finished products estimates; demand for our products; the strategies of our customers; anticipated expenditures, cash flows, growth rates and financial results; our plans and objectives for future operations, growth or initiatives; strategies and their anticipated effect on our performance and liquidity; and the expected outcome or impact of pending or threatened litigation are forward-looking statements.

All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect, including but not limited to: global economic conditions; fluctuations in demand for commercial silica, diatomaceous earth, perlite, clay and cellulose; fluctuations in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing; changes in production spending by companies in the oil and gas industry and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world including the ongoing conflict between Russia and Ukraine; ongoing effects of the COVID-19 pandemic on our customers and end users of our products; pricing pressure; weather and seasonal factors; the cyclical nature of our customers’ business; our inability to meet our financial and performance targets and other forecasts or expectations; our substantial indebtedness and pension obligations, including restrictions on our operations imposed by our indebtedness; operational modifications, delays or cancellations; prices for electricity, natural gas and diesel fuel; our ability to maintain our transportation network; changes in government regulations and regulatory requirements, including those related to mining, explosives, chemicals, and oil and gas production; silica-related health issues and corresponding litigation; and other risks and uncertainties detailed in this Quarterly Report on Form 10-Q and our most recent Forms 10-K, 10-Q, and 8-K filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”).

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of the known factors described above, and it is impossible for us to anticipate all factors that could affect our actual results. As a result, forward-looking statements are not guarantees of future performance, and you should not place undue reliance on any forward-looking statements we make. If one or more of the risks described above or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC, and our other public communications.

## Overview

We are a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC (“EPM”), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite.

During our 122-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 600 diversified product types to customers across our end markets. As of September 30, 2022, we had 28 operating mines and processing facilities across the United States. We control 472 million tons of reserves of commercial silica, which we believe can be processed to make 189 million tons of finished products that meet API frac sand specifications, and 82 million tons of reserves of diatomaceous earth, perlite, and clays.

Our operations are organized into two reportable segments based on end markets served and the manner in which we analyze our operating and financial performance: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. We believe our segments are complementary because our ability to sell to a wide range of customers across end markets in these segments allows us to maximize recovery rates in our mining operations and optimize our asset utilization.

## Recent Trends and Outlook

### *Oil and gas proppants end market trends*

Our operations in our Oil & Gas Proppants segment are materially dependent on the levels of activity in natural gas and oil exploration, development and production, which are affected by trends in natural gas and oil prices. In recent years, natural gas and oil prices and, therefore, the level of exploration, development and production activity, have experienced significant volatility.

During 2020, the COVID-19 pandemic and related economic repercussions, coupled with an inadequate supply response and exacerbated by the lack of global storage capacity, resulted in a precipitous decline in crude oil prices. Demand for our proppant and logistics services declined as our customers reduced their capital spending budgets and drilling and completion operations in response to lower oil prices. Crude oil prices began to rebound from 2020 levels, with the West Texas Intermediate price of crude oil increasing 55% during 2021 and as much as 52% during 2022, though prices have declined in the third quarter. This resulted in strong well completion activity and improved pricing for our Oil & Gas Proppants segment. Strong customer demand and favorable pricing in this segment have continued throughout 2022, offset in part by higher transportation and other costs.

The conflict between Russia and Ukraine has increased the disruption, instability and volatility in global markets and industries. As our operations are significantly U.S. based, we have not been, to date, materially impacted by this conflict. We continue to monitor the uncertainty surrounding the extent and duration of this ongoing conflict and the impact that it may have on the global economy and on our business.

Heightened levels of inflation present risk for us in terms of increased labor costs, transportation costs and energy costs that may not be able to be passed on to customers through increased pricing. In addition, rising interest rates will increase our borrowing costs on new and existing debt.

Sales increased by 10% or \$23.2 million in our Oil & Gas Proppants segment during the three months ended September 30, 2022 compared to the three months ended June 30, 2022 and increased by 39% or \$68.0 million in our Oil & Gas Proppants segment during the three months ended June 30, 2022 compared to the three months ended March 31, 2022. This was due primarily to higher energy prices and a rebound in overall well completion activity. Our results for the nine month period ended September 30, 2022 in this segment are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022.

*Amounts in thousands, except per ton data*

	Three Months Ended			Percentage Change	
	September 30, 2022	June 30, 2022	March 31, 2022	September 30, 2022 vs. June 30, 2022	June 30, 2022 vs. March 31, 2022
<b>Oil &amp; Gas Proppants</b>					
Sales	\$ 267,461	\$ 244,246	\$ 176,244	10 %	39 %
Tons Sold	3,498	3,528	3,060	(1)%	15 %
Average Selling Price per Ton	\$ 76.46	\$ 69.23	\$ 57.60	10 %	20 %

If oil and gas drilling and completion activity is not sustained, or if frac sand supply remains greater than demand, then we may sell fewer tons, sell tons at lower prices, or both. If we sell less frac sand or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected, and we could incur material asset impairments. If these events occur, we may evaluate further actions to reduce cost and improve liquidity.

### *Industrial and specialty products end market trends*

Demand in the industrial and specialty products end markets has been relatively stable in recent years and is primarily influenced by key macroeconomic drivers such as the housing market, population growth, light vehicle sales, beer and wine production, repair and remodel activity and industrial production. The primary end markets served by our Industrial & Specialty Products segment are building and construction products, fillers and extenders, filtration, glassmaking, absorbents, foundry, and sports and recreation. We have been increasing our value-added product offerings in the industrial and specialty products end markets organically as well as through acquisitions, such as White Armor and EPM. Additionally, we have increased our focus on the alternative energy markets and products necessary for the supply chains of solar panels, renewable diesel and wind turbines. Sales of these new higher margin products have increased our Industrial & Specialty Products segment's profitability.

Heightened levels of inflation present risk for us in terms of increased labor costs, transportation costs and energy costs that may not be able to be passed on to customers through increased pricing. In addition, rising interest rates will increase our borrowing costs on new and existing debt. Additionally, we continue to monitor the uncertainty surrounding the extent and duration of the Russia and Ukraine conflict on our business as discussed above.

The COVID-19 pandemic caused severe economic, market and other disruptions worldwide, which began to affect our Industrial & Specialty Products segment in the second quarter of 2020. Even as the COVID-19 pandemic subsides, we may continue to experience adverse impacts in this segment as a result of any long-term impacts resulting from the pandemic in the relevant markets.

## **Our Business Strategy**

The key drivers of our growth strategy include:

- increasing our presence and new product development in specialty products end markets;
- optimizing our product mix and further developing value-added capabilities to maximize margins;
- effectively positioning our Oil & Gas Proppants facilities to optimally serve our customers;
- optimizing our supply chain network and leveraging our logistics capabilities to meet our customers' needs;
- evaluating both Greenfield and Brownfield expansion opportunities and other acquisitions; and
- maintaining financial strength and flexibility.

## **How We Generate Our Sales**

### *Products*

We derive our product sales by mining and processing minerals that our customers purchase for various uses. Our product sales are primarily a function of the price per ton and the number of tons sold. We primarily sell our products through individual purchase orders executed under short-term price agreements or at prevailing market rates. The amount invoiced reflects the price of the product, transportation, surcharges, and additional handling services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site. We invoice most of our product customers on a per shipment basis, although for some larger customers we consolidate invoices weekly or monthly. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

### *Services*

We derive our service sales primarily through the provision of transportation, equipment rental, and contract labor services to companies in the oil and gas industry. Transportation services typically consist of transporting customer proppant from storage facilities to proximal well-sites and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects transportation services rendered. Equipment rental services provide customers with use of either dedicated or nonspecific wellhead proppant delivery equipment solutions for contractual periods defined either through formal lease agreements or executed work orders under established pricing agreements. The amounts invoiced reflect the length of time the equipment set was utilized in the billing period. Contract labor services provide customers with proppant delivery equipment operators through work orders executed under established pricing agreements. The amounts invoiced reflect the amount of time our labor services were utilized in the billing period. We typically invoice our customers on a weekly or monthly basis; however, some customers receive invoices upon well-site operation completion. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Our ten largest customers accounted for 42% and 40% of total sales for the three and nine months ended September 30, 2022, respectively, and 30% and 42% for the three and nine months ended September 30, 2021, respectively. No customers accounted for 10% or more of our total sales for the three or nine months ended September 30, 2022 or 2021. At September 30, 2022 and December 31, 2021, none of our customers' accounts receivable represented 10% or more of our total trade accounts receivable.

For a limited number of customers, we sell under long-term, minimum purchase supply agreements. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. Prices under these agreements are generally fixed and subject to certain contractual adjustments. Sometimes these agreements may undergo negotiations regarding pricing and volume requirements, particularly in volatile market conditions. When these negotiations occur, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements. An executed order specifying the type and quantity of product to be delivered, in combination with the noted agreements, comprise our contracts in these arrangements. Selling more tons under supply contracts enables us to be more efficient from a production, supply chain and

logistics standpoint. As discussed in Part I, Item 1A., Risk Factors of our 2021 Annual Report, these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding.

As of September 30, 2022, we had eight minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2022 and 2034. As of September 30, 2021, we had eight minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2021 and 2034. Collectively, sales to customers with minimum purchase supply agreements accounted for 47% and 38% of Oil & Gas Proppants segment sales during the three and nine months ended September 30, 2022, respectively, and 35% and 40% of Oil & Gas Proppants segment sales during the three and nine months ended September 30, 2021, respectively.

In the industrial and specialty products end markets we have not historically entered into long-term minimum purchase supply agreements with our customers because of the high cost to our customers of switching providers. We may periodically do so when capital or other investment is required to meet customer needs. Instead, we often enter into supply agreements with our customers with targeted volumes and terms of one to five years. Prices under these agreements are generally fixed and subject to annual increases.

### **The Costs of Conducting Our Business**

The principal expenses involved in conducting our business are transportation costs, labor costs, electricity and drying fuel costs, and maintenance and repair costs for our mining and processing equipment and facilities. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. Our operating costs can vary significantly based on the volume of product produced and current economic conditions. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limits royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and the finance, legal, human resources, information technology, and environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses.

### **How We Evaluate Our Business**

Our management team evaluates our business using a variety of financial and operating metrics. We evaluate the performance of our two segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of our business as a whole, including total tons sold, average selling price, total segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions, and we believe the presentation of these metrics provides useful information to our investors regarding our financial condition and results of operations for the same reasons.

#### *Segment Contribution Margin*

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered as an alternative or superior to measures derived in accordance with GAAP. Our measure of segment contribution margin is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. For more information about segment contribution margin, including a reconciliation of this measure to its most directly comparable GAAP financial measure, net income (loss), see Note S - Segment Reporting to our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### *Adjusted EBITDA*

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA.

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative or superior to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following table sets forth a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA:

<i>(amounts in thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 32,071	\$ (19,995)	\$ 46,586	\$ (14,745)
Total interest expense, net of interest income	19,495	17,778	53,926	51,483
Provision for taxes	10,259	(6,140)	15,209	1,172
Total depreciation, depletion and amortization expenses	34,500	39,981	106,964	122,494
<b>EBITDA</b>	<b>96,325</b>	<b>31,624</b>	<b>222,685</b>	<b>160,404</b>
Non-cash incentive compensation <sup>(1)</sup>	4,826	5,450	14,778	13,978
Post-employment expenses (excluding service costs) <sup>(2)</sup>	(535)	(2,140)	(1,980)	(1,414)
Merger and acquisition related expenses <sup>(3)</sup>	1,532	504	5,489	807
Plant capacity expansion expenses <sup>(4)</sup>	32	782	127	842
Contract termination expenses <sup>(5)</sup>	—	—	6,500	—
Goodwill and other asset impairments <sup>(6)</sup>	—	11	—	49
Business optimization projects <sup>(7)</sup>	550	33	561	76
Facility closure costs <sup>(8)</sup>	270	218	1,200	1,210
Other adjustments allowable under the Credit Agreement <sup>(9)</sup>	(286)	3,279	43	5,411
<b>Adjusted EBITDA</b>	<b>\$ 102,714</b>	<b>\$ 39,761</b>	<b>\$ 249,403</b>	<b>\$ 181,363</b>



- (1) Reflects equity-based and other equity-related compensation expense.
- (2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. Non-service net periodic benefit costs are not considered reflective of our operating performance because these costs do not exclusively originate from employee services during the applicable period and may experience periodic fluctuations as a result of changes in non-operating factors, including changes in discount rates, changes in expected returns on benefit plan assets, and other demographic actuarial assumptions. See Note N - Pension and Post-Retirement Benefits to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.
- (3) Merger and acquisition related expenses include legal fees, professional fees, bank fees, severance costs, and other employee related costs. While these costs are not operational in nature and are not expected to continue for any singular transaction on an ongoing basis, similar types of costs, expenses and charges have occurred in prior periods and may recur in the future as we continue to integrate prior acquisitions and pursue any future acquisitions.
- (4) Plant capacity expansion expenses include expenses that are not inventoriable or capitalizable as related to plant expansion projects greater than \$5 million in capital expenditures or plant start up projects. While these expenses are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future if we continue to pursue future plant capacity expansions.
- (5) Reflects contract termination expenses related to strategically exiting a supplier service contract. While these expenses are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future as we continue to strategically evaluate our contracts.
- (6) The three months ended September 30, 2022 and 2021 reflected zero and \$11 thousand of asset impairment charges, respectively. The nine months ended September 30, 2022 and 2021 reflected zero and \$49 thousand of asset impairments, respectively.
- (7) Reflects costs incurred related to business optimization projects within our corporate center, which aim to measure and improve the efficiency, productivity and performance of our organization. While these costs are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses may recur in the future.
- (8) Reflects costs incurred related to idled sand facilities and closed corporate offices, including severance costs and remaining contracted costs such as office lease costs, maintenance, and utilities. While these costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses may recur in the future.
- (9) Reflects miscellaneous adjustments permitted under the Credit Agreement, such as recruiting fees and relocation costs. The three and nine months ended September 30, 2022 also included costs related to weather events and supplier and logistical issues of \$1.1 million, severance restructuring of \$1.0 million, an adjustment to non-controlling interest of \$0.5 million, partially offset by net proceeds of the sale of assets of \$1.3 million and \$1.7 million related to the gain on extinguishment of debt. The three and nine months ended September 30, 2021 also included \$3.3 million of transload shortfall and exit fees, \$1.8 million related to expenses incurred with severe winter storms during the first quarter, costs related to a power interruption at a plant location of \$0.7 million, partially offset by \$0.1 million for a measurement period adjustment related to the Arrows Up bargain purchase.

#### *Adjusted EBITDA-Trailing Twelve Months*

Our revolving credit facility (the "Revolver") contains a consolidated total net leverage ratio of no more than 3.75:1.00 that, unless we have the consent of our lenders, we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 30% of the Revolver commitment. This ratio is calculated based on our Adjusted EBITDA for the trailing twelve months. Noncompliance with this financial ratio covenant could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the term loan (the "Term Loan") (collectively the "Credit Facility"). Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA for the trailing twelve months.

See the description under “Adjusted EBITDA” above for certain important information about Adjusted EBITDA-trailing twelve months, including certain limitations and management’s use of this metric in light of its status as a non-GAAP measure.

As of September 30, 2022, we were in compliance with all covenants under our Credit Facility, and our Revolver usage was zero (not including \$21.1 million allocated for letters of credit). Since the Revolver usage did not exceed 30% of the Revolver commitment, the consolidated leverage ratio covenant did not apply. Based on our consolidated leverage ratio of 3.81:1.00 as of September 30, 2022, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. The calculation of the consolidated leverage ratio incorporates the Adjusted EBITDA-trailing twelve months as follows:

<i>(All amounts in thousands, except calculated ratio)</i>	<b>September 30, 2022</b>
Total debt	\$ 1,107,838
Finance leases	4,645
Total consolidated debt	<u>\$ 1,112,483</u>
Adjusted EBITDA-trailing twelve months	\$ 291,515
Pro forma Adjusted EBITDA including impact of acquisitions <sup>(1)</sup>	—
Other adjustments for covenant calculation <sup>(2)</sup>	252
Total Adjusted EBITDA-trailing twelve months for covenant calculation	<u>\$ 291,767</u>
Consolidated leverage ratio <sup>(3)</sup>	3.81

(1) Covenant calculation allows for the Adjusted EBITDA-trailing twelve months to include the impact of acquisitions on a pro forma basis.

(2) Covenant calculation excludes activity at legal entities above the operating company, which is mainly interest income offset by public company operating expenses.

(3) Calculated by dividing total consolidated debt by total Adjusted EBITDA-trailing twelve months for covenant calculation.

## Results of Operations for the Three Months Ended September 30, 2022 and 2021

### Sales

<i>(In thousands except per ton data)</i>	Three Months Ended September 30,		Percent Change
	2022	2021	2022 vs. 2021
<b>Sales:</b>			
Oil & Gas Proppants	\$ 267,461	\$ 141,848	89 %
Industrial & Specialty Products	151,352	125,450	21 %
Total sales	<u>\$ 418,813</u>	<u>\$ 267,298</u>	57 %
<b>Tons:</b>			
Oil & Gas Proppants	3,498	2,912	20 %
Industrial & Specialty Products	1,126	1,077	5 %
Total Tons	<u>4,624</u>	<u>3,989</u>	16 %
<b>Average Selling Price per Ton:</b>			
Oil & Gas Proppants	\$ 76.46	\$ 48.71	57 %
Industrial & Specialty Products	\$ 134.42	\$ 116.48	15 %
Overall Average Selling Price per Ton	\$ 90.57	\$ 67.01	35 %

Total sales increased 57% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, driven by a 16% increase in total tons sold and a 35% increase in overall average selling price.

The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 89% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Oil & Gas Proppants average selling price increased 57% and tons sold increased 20%. This increase is due to higher energy prices and a rebound in overall well completion activity.

The increase in total sales was also partially driven by Industrial & Specialty Products sales, which increased 21% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Industrial & Specialty Products tons sold increased 5% and average selling price increased by 15%. The increase is due to overall improved market conditions and pricing increases implemented throughout the year.

### *Cost of Sales (excluding depreciation, depletion, and amortization)*

Cost of sales increased by \$84.1 million, or 41%, to \$291.5 million for the three months ended September 30, 2022 compared to \$207.4 million for the three months ended September 30, 2021. These changes resulted from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 70% for the three months ended September 30, 2022 compared to 78% for the same period in 2021.

We incurred \$144.1 million and \$88.7 million of transportation and related costs for the three months ended September 30, 2022 and 2021, respectively. The \$55.4 million increase was mainly due to increased volumes, increased carrier costs for SandBox and increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 34% and 33% for the three months ended September 30, 2022 and 2021, respectively.

We incurred \$43.8 million and \$38.7 million of operating labor costs for the three months ended September 30, 2022 and 2021, respectively. The \$5.1 million increase in labor cost was mainly due to increased headcount to support increased production and merit and incentive increases. As a percentage of sales, operating labor costs represented 10% and 14% for the three months ended September 30, 2022 and 2021, respectively.

We incurred \$23.5 million and \$14.3 million of electricity and drying fuel (principally natural gas) costs for the three months ended September 30, 2022 and 2021, respectively. The \$9.2 million increase in electricity and drying fuel costs was

mainly due to increased volumes produced and increased natural gas prices. As a percentage of sales, electricity and drying fuel costs represented 6% and 5% for the three months ended September 30, 2022 and 2021, respectively.

We incurred \$24.9 million and \$17.8 million of maintenance and repair costs for the three months ended September 30, 2022 and 2021, respectively. The \$7.1 million increase in maintenance and repair costs is mainly due to an increase in maintenance projects as production increased. As a percentage of sales, maintenance and repair costs represented 6% and 7% for the three months ended September 30, 2022 and 2021, respectively.

#### *Segment Contribution Margin*

Industrial & Specialty Products contribution margin increased by \$5.5 million to \$46.5 million for the three months ended September 30, 2022 compared to \$41.0 million for the three months ended September 30, 2021, driven by a \$25.9 million increase in revenue offset by a \$20.4 million increase in cost of sales.

Oil & Gas Proppants contribution margin increased by \$59.6 million to \$85.3 million for the three months ended September 30, 2022 compared to \$25.7 million for the three months ended September 30, 2021, driven by a \$125.6 million increase in sales offset by a \$66.0 million increase in cost of sales.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by \$2.9 million, or 9%, to \$33.9 million for the three months ended September 30, 2022 compared to \$31.0 million for the three months ended September 30, 2021. The increase was primarily due to increases in compensation due to merit and incentive increases and headcount increases due to increased business activity.

In total, our selling, general and administrative expenses represented approximately 8% and 12% of our sales for the three months ended September 30, 2022 and 2021, respectively.

#### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization expense decreased by \$5.5 million, or 14%, to \$34.5 million for the three months ended September 30, 2022 compared to \$40.0 million for the three months ended September 30, 2021 primarily due to certain assets fully depreciating at the end of 2021. Depreciation, depletion and amortization expense represented approximately 8% and 15% of our sales for the three months ended September 30, 2022 and 2021, respectively.

#### *Goodwill and Other Asset Impairments*

During the three months ended September 30, 2022, no asset impairment charges were recorded. During the three months ended September 30, 2021, \$11 thousand of asset impairment charges were recorded.

#### *Operating Income (Loss)*

Operating income for the three months ended September 30, 2022 was \$58.9 million compared to an operating loss of \$11.1 million for the three months ended September 30, 2021. The change was mainly driven by a 57% increase in sales and a 14% decrease in depreciation, depletion and amortization expense, partially offset by a 41% increase in cost of sales and a 9% increase in selling, general and administrative expenses.

#### *Interest Expense*

Interest expense increased by \$2.4 million, or 13%, to \$20.2 million for the three months ended September 30, 2022 compared to \$17.8 million for the three months ended September 30, 2021 primarily due to higher interest rates.

#### *Other Income (Expense), Net, Including Interest Income*

Other income (expense), net, increased by \$1.0 million, to other income of \$3.6 million for the three months ended September 30, 2022 compared to other income of \$2.6 million for the three months ended September 30, 2021, due primarily to the gain related to extinguishment of debt, an increase in interest income, offset partially by an adjustment in non-service pension costs.

### Provision for Income Taxes

For the three months ended September 30, 2022 and 2021, we had tax expense of \$10.3 million and a tax benefit of \$6.1 million, respectively. The effective tax rates were 24% and 23% for the three months ended September 30, 2022 and 2021, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and non-US income taxes, the effective tax rates for both the three months ended September 30, 2022 and 2021 would have been 24%.

During both the three months ended September 30, 2022 and 2021, we recorded tax expense of zero related to equity compensation.

### Net Income (Loss)

Net income (loss) attributable to U.S. Silica Holdings, Inc., was net income of \$32.1 million and a net loss of \$20.0 million for the three months ended September 30, 2022 and 2021, respectively. The year over year changes were due to the factors noted above.

## Results of Operations for the Nine Months Ended September 30, 2022 and 2021

### Sales

(In thousands except per ton data)	Nine Months Ended September 30,		Percent Change
	2022	2021	2022 vs. 2021
<b>Sales:</b>			
Oil & Gas Proppants	\$ 687,951	\$ 456,842	51 %
Industrial & Specialty Products	424,262	362,173	17 %
Total sales	<u>\$ 1,112,213</u>	<u>\$ 819,015</u>	36 %
<b>Tons:</b>			
Oil & Gas Proppants	10,086	8,513	18 %
Industrial & Specialty Products	3,324	3,141	6 %
Total Tons	<u>13,410</u>	<u>11,654</u>	15 %
<b>Average Selling Price per Ton:</b>			
Oil & Gas Proppants	\$ 68.21	\$ 53.66	27 %
Industrial & Specialty Products	\$ 127.64	\$ 115.30	11 %
Overall Average Selling Price per Ton	\$ 82.94	\$ 70.28	18 %

Total sales increased 36% for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, driven by a 15% increase in total tons sold and an 18% increase in overall average selling price.

The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 51% for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Oil & Gas Proppants average selling price increased 27% and tons sold increased 18%. This increase is due to higher energy prices and a rebound in overall well completion activity, offset partially by the recognition of approximately \$49.0 million of shortfall fees during the second quarter of 2021 which did not recur in 2022.

The increase in total sales was also driven by Industrial & Specialty Products sales, which increased 17% for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Industrial & Specialty Products average selling price increased 11% and tons sold increased by 6%. The increase is due to overall improved market conditions and pricing increases implemented throughout the year.

### Cost of Sales (excluding depreciation, depletion, and amortization)

Cost of sales increased by \$209.9 million, or 36%, to \$787.3 million for the nine months ended September 30, 2022 compared to \$577.4 million for the nine months ended September 30, 2021. These changes result from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 71% and 70% for the nine months ended September 30, 2022 and 2021, respectively. However, excluding the \$49.0 million of shortfall fees recognized in 2021 which did not recur in 2022, cost of sales represented 75% as a percentage of sales for the nine months ended September 30, 2021.

We incurred \$374.7 million and \$253.4 million of transportation and related costs for the nine months ended September 30, 2022 and 2021, respectively. The \$121.3 million increase was mainly due to increased volumes, increased carrier costs for SandBox and increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 34% for the nine months ended September 30, 2022 compared to 31% for the same period in 2021.

We incurred \$126.3 million and \$109.2 million of operating labor costs for the nine months ended September 30, 2022 and 2021, respectively. The \$17.1 million increase in labor costs incurred was mainly due to increased headcount to support increased production and merit increases. As a percentage of sales, operating labor costs represented 11% for the nine months ended September 30, 2022 compared to 13% for the same period in 2021.

We incurred \$63.6 million and \$38.8 million of electricity and drying fuel (principally natural gas) costs for the nine months ended September 30, 2022 and 2021, respectively. The \$24.8 million increase in electricity and drying fuel costs incurred was mainly due to increased volume produced, and increased natural gas prices. As a percentage of sales, electricity and drying fuel costs represented 6% and 5% for the nine months ended September 30, 2022 and 2021, respectively.

We incurred \$67.8 million and \$49.0 million of maintenance and repair costs for the nine months ended September 30, 2022 and 2021, respectively. The \$18.8 million increase in maintenance and repair costs is primarily due to an increase in maintenance projects as production increased. As a percentage of sales, maintenance and repair costs represented 6% for both the nine months ended September 30, 2022 and 2021, respectively.

#### *Segment Contribution Margin*

Industrial & Specialty Products contribution margin increased by \$3.3 million to \$130.3 million for the nine months ended September 30, 2022 compared to \$127.0 million for the nine months ended September 30, 2021, driven by a \$62.1 million increase in revenue, partially offset by a \$58.8 million increase in cost of sales.

Oil & Gas Proppants contribution margin increased by \$77.5 million to \$207.4 million for the nine months ended September 30, 2022 compared to \$129.9 million for the nine months ended September 30, 2021, driven by a \$231.1 million increase in sales, partially offset by a \$153.6 million increase in cost of sales.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by \$24.2 million, or 29%, to \$108.9 million for the nine months ended September 30, 2022 compared to \$84.7 million for the nine months ended September 30, 2021. The increase was primarily due to fees related to the termination of a supplier contract, increased legal expenses, increases in compensation such as merit and incentive increases, headcount increases due to increased business activity, and expenses related to the strategic review of our ISP segment.

In total, our selling, general and administrative expenses represented approximately 10% of our sales for both the nine months ended September 30, 2022 and 2021.

#### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization expense decreased by \$15.5 million, or 13%, to \$107.0 million for the nine months ended September 30, 2022 compared to \$122.5 million for the nine months ended September 30, 2021. The decrease was primarily due to certain assets fully depreciating at the end of 2021. Depreciation, depletion and amortization expense represented approximately 10% and 15% of our sales for the nine months ended September 30, 2022 and 2021, respectively.

#### *Goodwill and Other Asset Impairments*

During the nine months ended September 30, 2022, no asset impairment charges were recorded. During the nine months ended September 30, 2021, \$49.0 thousand of asset impairment charges were recorded.

#### *Operating Income (Loss)*

Operating income increased by \$74.7 million to \$109.1 million for the nine months ended September 30, 2022 compared to \$34.4 million for the nine months ended September 30, 2021. The increase was driven by a 36% increase in sales and a 13% decrease in depreciation, depletion and amortization expense, partially offset by a 36% increase in cost of sales and a 29% increase in selling, general and administrative expenses during the nine months ended September 30, 2022.

### *Interest Expense*

Interest expense increased by \$1.4 million, or 3%, to \$54.8 million for the nine months ended September 30, 2022 compared to \$53.4 million for the nine months ended September 30, 2021, primarily due to higher interest rates.

### *Other Income (Expense), Net, Including Interest Income*

Other income increased by \$2.2 million to \$7.2 million for the nine months ended September 30, 2022 compared to \$5.0 million for the nine months ended September 30, 2021. The increase primarily related to the gain from extinguishment of debt, an adjustment in non-service pension costs and an increase in gains on disposals, partially offset by a decrease in interest income.

### *Provision for Income Taxes*

For the nine months ended September 30, 2022 and 2021, we had tax expense of \$15.2 million and \$1.2 million, respectively. The effective tax rates were 25% and (8)% for the nine months ended September 30, 2022 and 2021, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and non-US income taxes, the effective tax rates for the nine months ended September 30, 2022 and 2021 would have been 23% and 24%, respectively.

During the nine months ended September 30, 2022 and 2021, we recorded tax expense related to equity compensation of \$0.1 million and \$0.5 million, respectively.

### *Net Income (Loss)*

Net income (loss) attributable to U.S. Silica Holdings, Inc., was net income of \$46.6 million and a net loss of \$14.7 million for the nine months ended September 30, 2022 and 2021, respectively. The year over year changes were due to the factors noted above.

## **Liquidity and Capital Resources**

### ***Overview***

Our principal liquidity requirements have historically been to service our debt, to meet our working capital, capital expenditure and mine development expenditure needs, to return cash to our stockholders, and to pay for acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through cash on hand, borrowings under our credit facilities, or equity issuances. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of September 30, 2022, our working capital was \$390.8 million and we had \$78.9 million of availability under the Revolver. Based on our consolidated leverage ratio of 3.81:1.00 as of September 30, 2022, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver.

In connection with the EPM acquisition, on May 1, 2018, we entered into the Credit Agreement with BNP Paribas, as administrative agent, and the lenders named therein. The Credit Agreement increased our existing senior debt by entering into a new \$1.380 billion senior secured Credit Facility, consisting of a \$1.280 billion Term Loan and a \$100 million Revolver that may also be used for swingline loans or letters of credit, and we may elect to increase the Term Loan in accordance with the terms of the Credit Agreement. The amounts owed under the Credit Agreement use LIBOR as a benchmark for establishing the rate at which interest accrues. We have made significant progress to prepare for the phasing out of LIBOR, as described in Part II - Item 7 - Management's Discussion and Analysis of Financial Conditions and Results of Operations - Risk Management in the 2021 Form 10-K, and additional transition efforts to prepare for the phasing out of LIBOR are ongoing. We believe both the enacted and proposed regulation help provide clarity for the transition of our legacy LIBOR contracts, including investment securities, loans and preferred stock, to alternative reference rates in an orderly manner.

Management and our Board of Directors remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends or other distributions in cash, stock, or property in the future or otherwise return capital to our stockholders, including decisions about existing or new share repurchase programs, will be at the discretion of our Board of Directors and will be dependent on then-existing conditions, including industry and market conditions, our financial condition, results of operations, liquidity and capital requirements, contractual restrictions including restrictive covenants contained in debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to

us, including restrictions under the terms of the agreements governing our indebtedness. During the second quarter of 2020, our Board of Directors determined that it was not in the best interest of our shareholders to issue a dividend and we have not issued dividends subsequently. We do not have plans to resume issuing dividends.

### **Net Debt (non-GAAP measure)**

Net debt is a non-GAAP measure and is included in this report because we believe it is meaningful to investors as we consider net debt and its components to be important indicators of liquidity and financial position. Net debt may not be computed the same as similarly titled measures used by other companies. We define net debt as total debt less cash and cash equivalents. Net debt should not be considered as an alternative or superior to other performance measures derived in accordance with GAAP.

The following table provides net debt (in thousands):

	September 30, 2022	December 31, 2021
Total Debt	\$ 1,112,483	\$ 1,211,420
Less:		
Cash and cash equivalents	267,133	239,425
<b>Net Debt</b>	<b>\$ 845,350</b>	<b>\$ 971,995</b>

#### *Total Debt:*

Total debt was \$1.11 billion and \$1.21 billion as of September 30, 2022 and December 31, 2021, respectively. The decrease was primarily due to principal payments of the Term Loan and repurchase of \$100.0 million of debt during the third quarter, offset partially by insurance financing notes payable of \$8.4 million.

#### *Cash and Cash Equivalents:*

Cash and cash equivalents were \$267.1 million and \$239.4 million as of September 30, 2022 and December 31, 2021, respectively. The increase was primarily due to receipt of a \$20.0 million capacity reservation fee from a customer, an increase in business operations and an increase in days payable outstanding.

### **Cash Flow Analysis**

A summary of operating, investing and financing activities (in thousands) is shown in the following table:

	Nine Months Ended September 30,	
	2022	2021
<b>Net cash provided by (used in):</b>		
Operating activities	\$ 169,460	\$ 156,782
Investing activities	(26,863)	(14,960)
Financing activities	(114,889)	(42,155)

#### *Net Cash Provided by / Used in Operating Activities*

Operating activities consist primarily of net income (loss) adjusted for certain non-cash and working capital items. Adjustments to net income or loss for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and allowance for credit losses. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was \$169.5 million for the nine months ended September 30, 2022. This was mainly due to \$46.3 million of net income adjusted for non-cash items, including \$107.0 million in depreciation, depletion and amortization, \$9.8 million in deferred income taxes, \$13.8 million in equity-based compensation, \$9.5 million in deferred revenue, and \$9.3 million in other miscellaneous non-cash items. Also contributing to the change was a \$35.3 million increase in accounts receivable, a \$26.9 million increase in inventories, a \$1.8 million decrease in prepaid expenses and other current



assets, a \$72.7 million increase in accounts payable and accrued liabilities, \$17.6 million payments on lease liabilities, and a \$1.9 million change in other operating assets and liabilities.

Net cash provided by operating activities was \$156.8 million for the nine months ended September 30, 2021. This was mainly due to a \$15.2 million net loss adjusted for non-cash items, including \$122.5 million in depreciation, depletion and amortization, \$3.2 million in deferred income taxes, \$13.4 million in equity-based compensation, \$14.3 million in deferred revenue, and \$27.0 million in other miscellaneous non-cash items. Also contributing to the change was a \$31.2 million decrease in accounts receivable, an \$11.7 million increase in inventories, a \$1.2 million decrease in prepaid expenses and other current assets, a \$36.8 million increase in accounts payable and accrued liabilities, \$19.7 million payments on lease liabilities, and an \$11.1 million change in other operating assets and liabilities.

#### *Net Cash Used in / Provided by Investing Activities*

Investing activities consist primarily of cash consideration paid to acquire businesses and capital expenditures for growth and maintenance.

Net cash used in investing activities was \$26.9 million for the nine months ended September 30, 2022. This was due to capital expenditures of \$28.7 million offset by \$2.2 million in proceeds from the sale of property, plant and equipment. Capital expenditures for the nine months ended September 30, 2022 were primarily related to facility improvement and maintenance projects, and other environmental and health and safety projects.

Net cash used in investing activities was \$15.0 million for the nine months ended September 30, 2021. This was mainly due to capital expenditures of \$15.4 million and capitalized intellectual property costs of \$0.2 million, offset by \$0.6 million in proceeds from the sale of property, plant and equipment.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2022 will be approximately \$40 million to \$50 million, which will primarily be associated with maintenance, cost improvement capital projects, and various growth projects. We expect to fund our capital expenditures through cash on our balance sheet, cash generated from our operations, and cash generated from financing activities.

#### *Net Cash Used in / Provided by Financing Activities*

Financing activities consist primarily of equity issuances, dividend payments, share repurchases, borrowings and repayments related to the Revolver and Term Loan, as well as fees and expenses paid in connection with our credit facilities.

Net cash used in financing activities was \$114.9 million for the nine months ended September 30, 2022. This was mainly due to \$4.4 million of short-term debt payments, \$106.7 million of long-term debt payments, \$1.1 million of distributions to a non-controlling interest, \$1.0 million of principal payments on finance leases, and \$2.4 million of tax payments related to shares withheld for vested restricted stock and stock units, offset partially by \$1.0 million of proceeds from options exercised.

Net cash used in financing activities was \$42.2 million for the nine months ended September 30, 2021. This was mainly due to \$4.2 million of short-term debt payments, \$9.6 million of long-term debt payments, \$25.0 million payment on the Revolver, \$0.8 million of distributions to a non-controlling interest, \$0.4 million of principal payments on finance leases, and \$2.2 million of tax payments related to shares withheld for vested restricted stock and restricted stock units.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have a current material effect or are reasonably likely to have a future material effect on our financial condition, changes in financial condition, sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Contractual Obligations**

There have been no significant changes outside of the ordinary course of business to our “Contractual Obligations” table in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2021 Annual Report. For more details on future minimum annual purchase commitments and operating leases commitments, please

see accompanying Note M - Commitments and Contingencies and Note O - Leases to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Environmental Matters**

We are subject to various federal, state and local laws and regulations governing, among other things, hazardous materials, air and water emissions, environmental contamination and reclamation and the protection of the environment and natural resources. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. As of September 30, 2022, we had \$30.0 million accrued for future reclamation costs, as compared to \$32.0 million as of December 31, 2021.

We discuss certain environmental matters relating to our various production and other facilities, certain regulatory requirements relating to human exposure to crystalline silica and our mining activity and how such matters may affect our business in the future under Item 1, "Business", Item 1A, "Risk Factors", Item 3, "Legal Proceedings" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Environmental Matters" in our 2021 Annual Report.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

A summary of our significant accounting policies, including certain critical accounting policies and estimates, are included in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2021 Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables us to provide the users of the Consolidated Financial Statements with useful and reliable information about our operating results and financial condition.

### **Recent Accounting Pronouncements**

New accounting pronouncements that have been recently adopted are described in Note B - Summary of Significant Accounting Policies to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Availability of Reports; Website Access; Other Information**

Our Internet address is <http://www.ussilica.com>. Through "Investors" — "Financial Information" on our home page, we make available free of charge our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our proxy statements, our current reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the SEC are also available on its website at <http://www.sec.gov>.

Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 24275 Katy Freeway, Suite 600, Katy, Texas 77494.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Market Risk***

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. We address such market risks in "Recent Trends and Outlook" and "How We Generate Our Sales" in Item 2. of this Quarterly Report on Form 10-Q.

### ***Interest Rate Risk***

We are exposed to interest rate risk arising from adverse changes in interest rates. As of September 30, 2022, we had \$1.112 billion of debt outstanding under the Credit Agreement. Assuming LIBOR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase in interest rates by 1.0% would have changed our interest expense by \$11.1 million per year.

We have made significant progress to prepare for the phasing out of LIBOR, as described in Part II - Item 7 - Management's Discussion and Analysis of Financial Conditions and Results of Operations - Risk Management in the 2021 Form 10-K, and additional transition efforts to prepare for the phasing out of LIBOR are ongoing.

On March 15, 2022, President Biden signed the Consolidated Appropriation Act of 2022 into law, which includes the Adjustable Interest Rate (LIBOR) Act, containing legislation related to the transition away from LIBOR. This legislation is intended to establish a uniform process for replacing LIBOR in existing contracts and securities that continue after the cessation of LIBOR and do not contain clearly defined or practicable fallback provisions.

On July 19, 2022, the Federal Reserve Board released a proposal that provides default rules for certain contracts that use LIBOR, which would implement the LIBOR Act with replacement rates based on the Secured Overnight Financing Rate (SOFR). We believe the LIBOR Act and the Federal Reserve Board's proposed regulation help provide clarity for the transition of our legacy LIBOR contracts, including investment securities, loans and preferred stock, to alternative reference rates in an orderly manner.

### ***Credit Risk***

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees, although collateral is generally not required.

Despite enhancing our examination of our customers' creditworthiness, we may still experience delays or failures in customer payments. Some of our customers have reported experiencing financial difficulties. With respect to customers that may file for bankruptcy protection, we may not be able to collect sums owed to us by these customers and we also may be required to refund pre-petition amounts paid to us during the preference period (typically 90 days) prior to the bankruptcy filing.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. We disclosed in Part II, Item 9A Controls and Procedures of our Annual Report on Form 10-K/A for the year ended December 31, 2021 that our chief executive officer and chief financial officer re-performed an evaluation of our disclosure and procedures as of December 31, 2021 as a result of the changes we had to make to our mining disclosures that are described in the 10-K/A, and they concluded that our disclosure controls and procedures were not effective as of December 31, 2021. Because the disclosure required under Subpart 1300 of Regulation S-K is not required in quarterly reports on Form 10-Q, our chief executive officer and chief financial officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our existing internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In addition to the matters described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations incidental to our business, which can cover general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other matters. Although the outcomes of these ordinary routine claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Prolonged inhalation of excessive levels of respirable crystalline silica dust can result in silicosis, a disease of the lungs. Breathing large amounts of respirable silica dust over time may injure a person's lungs by causing scar tissue to form. Crystalline silica in the form of quartz is a basic component of soil, sand, granite and most other types of rock. Cutting, breaking, crushing, drilling, grinding and abrasive blasting of or with crystalline silica containing materials can produce fine silica dust, the inhalation of which may cause silicosis, lung cancer and possibly other diseases including immune system disorders such as scleroderma. Sources of exposure to respirable crystalline silica dust include sandblasting, foundry manufacturing, crushing and drilling of rock, masonry and concrete work, mining and tunneling, and cement and asphalt pavement manufacturing.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. Prior to 2001, the number of silicosis lawsuits filed annually against the commercial silica industry remained relatively stable and was generally below 100, but between 2001 and 2004 the number of silicosis lawsuits filed against the commercial silica industry substantially increased. This increase led to greater scrutiny of the nature of the claims filed, and in June 2005, the U.S. District Court for the Southern District of Texas issued an opinion in the former federal silica multi-district litigation remanding almost all of the 10,000 cases then pending in the multi-district litigation back to the state courts from which they originated for further review and medical qualification, leading to a number of silicosis case dismissals across the United States. In conjunction with this and other favorable court rulings establishing "sophisticated user" and "no duty to warn" defenses for silica producers, several states, including Texas, Ohio and Florida, have passed medical criteria legislation that requires proof of actual impairment before a lawsuit can be filed.

As a result of the above developments, the filing rate of new claims against us over the past few years has decreased to below pre-2001 levels, and we were named as a defendant in two, one, and one new silicosis cases filed in 2021, 2020, and 2019, respectively. During the nine months ended September 30, 2022, zero new claims were brought against U.S. Silica. As of September 30, 2022, there were 42 active silica-related product liability claims pending in which U.S. Silica is a defendant. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that cover certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner and its insurers in the fourth quarter of 2012, some of these policies are no longer available to us and we will not seek reimbursement for any defense costs or claim payments from these policies. Other insurance policies, however, continue to remain available to us and will continue to make such payments on our behalf.

The silica-related litigation brought against us to date has not resulted in a material liability to us. However, we continue to have silica-related product liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

For more information regarding silica-related litigation, see Part I, Item 1A. Risk Factors of our 2021 Annual Report on Form 10-K.

### ITEM 1A. RISK FACTORS

Except as disclosed in Item 1A. Risk Factors in our Quarterly Report on Form 10-Q as of June 30, 2022, which is incorporated herein by reference, there have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our 2021 Annual Report on Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Share Repurchase Program**

The following table presents the total number of shares of our common stock that we repurchased during the third quarter of 2022, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

Period	Total Number of Shares Withheld <sup>(2)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program <sup>(1)</sup>	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup>
July 1, 2022 - July 31, 2022	4,017	\$ 10.20	—	126,540,060
August 1, 2022 - August 31, 2022	9,746	\$ 14.80	—	126,540,060
September 1, 2022 - September 30, 2022	129	\$ 13.05	—	126,540,060
Total	<u>13,892</u>	\$ 13.45	—	

- (1) In May 2018, our Board of Directors authorized and announced the repurchase of up to \$200 million of our common stock from time to time on the open market or in privately negotiated transactions. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. As of September 30, 2022, we have repurchased a total of 5,036,139 shares of our common stock at an average price of \$14.59.
- (2) Shares withheld by U.S. Silica to pay taxes due upon the vesting of employee restricted stock and restricted stock units for the months ended July 31, August 31, and September 30, 2022, respectively.

We did not repurchase any shares of common stock under our share repurchase program during the three and nine months ended September 30, 2022.

**ITEM 3.        DEFAULT UPON SENIOR SECURITIES**

None.

**ITEM 4.        MINE SAFETY DISCLOSURES**

Safety is one of our core values and we strive to achieve a workplace free of injuries and occupational illnesses. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report filed on Form 10-Q.

**ITEM 5.        OTHER INFORMATION**

None.

**ITEM 6.        EXHIBITS**

**Incorporated by Reference**

<b>Exhibit Number</b>	<b>Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017.</u></a>	8-K	001-35416	3.1	May 10, 2017
<a href="#"><u>3.2</u></a>	<a href="#"><u>Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017.</u></a>	8-K	001-35416	3.2	May 10, 2017
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.</u></a>				
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merrill, Chief Financial Officer.</u></a>				
<a href="#"><u>32.1#</u></a>	<a href="#"><u>Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.</u></a>				
<a href="#"><u>32.2#</u></a>	<a href="#"><u>Section 1350 Certification by Donald A. Merrill, Chief Financial Officer.</u></a>				
<a href="#"><u>95.1*</u></a>	<a href="#"><u>Mine Safety Disclosure.</u></a>				
101*	101.INS XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document 101.SCH Inline XBRL Taxonomy Extension Schema 101.CAL Inline XBRL Taxonomy Extension Calculation 101.LAB Inline XBRL Taxonomy Extension Labels 101.PRE Inline XBRL Taxonomy Extension Presentation 101.DEF Inline XBRL Taxonomy Extension Definition				
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

+ Management contract or compensatory plan/arrangement

\* Filed herewith

# Furnished herewith

We will furnish to any of our stockholders a copy of any of the above exhibits upon the written request of such stockholder.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 28th day of October 2022.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

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Name: Donald A. Merrill  
Executive Vice President & Chief  
Financial Officer (Authorized Signatory  
and Principal Financial Officer)

Title:

**CERTIFICATION**

I, Bryan A. Shinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the “Company”) for the quarter ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 28, 2022

/s/ BRYAN A. SHINN

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Name: Bryan A. Shinn

Title: Chief Executive Officer

**CERTIFICATION**

I, Donald A. Merrill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the “Company”) for the quarter ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 28, 2022

/s/ DONALD A. MERRIL

\_\_\_\_\_  
Name: Donald A. Merrill

Title: Executive Vice President and Chief  
Financial Officer

**SECTION 1350 CERTIFICATION**

I, Bryan A. Shinn, Chief Executive Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2022

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

**SECTION 1350 CERTIFICATION**

I, Donald A. Merrill, Chief Financial Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2022

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Executive Vice President and Chief  
Financial Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

Exhibit 95.1

Mine Safety Disclosure

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

*Mine Safety Information.* Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA District’s approach to enforcement. Due to timing and other factors, the data below may not agree with the mine data retrieval system maintained by the MSHA at [www.MSHA.gov](http://www.MSHA.gov)

The following table details the citations and orders issued and civil penalties assessed to us by MSHA during the quarter ended September 30, 2022:

(whole dollars)

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (1)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Berkley Springs, WV / 4602805	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Celatom Mine, OR / 3503237	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Celatom Plant, OR / 3503236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Cheto Mine, AZ / 0200103	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Clark, NV / 2600677	0	0	0	0	0	\$610.00	0	No	No	0	0	0
Columbia, SC / 3800138	7	0	0	0	0	\$28,662.00*	0	No	No	0	0	0
Crane, TX / 4105331	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Dubberly, LA / 1600489	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Fernley, NV / 2601950	0	0	0	0	0	\$266.00	0	No	No	0	0	0
Festus, MO / 2302377	0	0	0	0	0	\$399.00	0	No	No	0	0	0
Fowlkes Mine, MS / 2200460	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hazen Mine, NV / 2600679	0	0	0	0	0	\$0.00	0	No	No	0	0	0

Hurtsboro, AL / 100617	2	0	0	0	0	\$662.00	0	No	No	0	0	0
Jackson, MS / 2200415	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Jackson, TN / 4002937	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Kosse, TX / 4100262	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lamesa, TX / 4105363	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lovelock (Colado Plant) / 2600680	0	0	0	0	0	\$546.00	0	No	No	27	0	0
Lovelock, NV (Colado Mine) / 2600672	0	0	0	0	0	\$296.00	0	No	No	0	0	0
Mapleton, PA / 3603122	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mauricetown, NJ / 2800526	0	0	0	0	0	\$133.00	0	No	No	0	0	0
Middletown, TN / 4002968	1	0	0	0	0	\$0.00*	0	No	No	0	0	0
Mill Creek Mine, OK / 3400836	0	0	0	0	0	\$302.00	0	No	No	0	0	0
Mill Creek Plant, OK / 3400377	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Millen, GA / 0901232	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Montpelier, VA / 4402829	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Ottawa, IL / 1101013	0	0	0	0	0	\$665.00	0	No	No	0	0	0
Pacific, MO / 2300544	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Popcorn Mine, NV / 2602236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Port Elizabeth, NJ / 2800510	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Rockwood, MI / 2000608	0	0	0	0	0	\$266.00	0	No	No	0	0	0
Sparta, WI / 4703644	0	0	0	0	0	\$133.00	0	No	No	0	0	0
Tyler, TX / 4104182	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Utica, IL / 1103268	0	0	0	0	0	\$0.00	0	No	No	0	0	0

**(1) Amounts included are the total dollar value of proposed assessments received from MSHA from July 1, 2022 through September 30, 2022, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by the MSHA District's approach to enforcement and vary depending on the size and type of the operation**

\* As of September 30, 2022, MSHA had not yet proposed an assessment for 1 non-S&S citation at the Columbia Plant, SC.

\* As of September 30, 2022 MSHA had not yet proposed an assessment for 3 non-S&S citations and 1 S&S citation at the Middleton Plant, TN